

AR24

*Thompson* PAPER BOX CO. LIMITED

ANNUAL REPORT  
1973-1974





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# PAPER BOX CO. LIMITED

and Subsidiary Companies

## ANNUAL REPORT

for the year ended March 31, 1974

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### Directors

\*J.M. Armour, B.A.Sc.

P.G. Armour

\*R.F. Chisholm, O.B.E.

\*B.A. Howard, CD, B.A.Sc.

A.L. Howard

J.O. Shields

P.A. Southall, C.A.

\*J.P. Walwyn

\*A.B. Young, M.B.A.

### \*Members of the Executive Committee

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### Officers

Chairman of the Board

President

Senior Vice-President

Vice-President

Vice-President

Secretary

Assistant Secretary

R.F. Chisholm

J.M. Armour

B.A. Howard

W.A. Marshall

J.O. Shields

Ian MacGregor

C.M. Kujus

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### Transfer Agent and Registrar

Canada Permanent Trust Company

20 Eglinton Avenue West

Toronto, M4R 2E2

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### Fiscal Agents

Walwyn, Stodgell & Gairdner Ltd.

145 King Street W.

Toronto, M5H 3M1

### Auditors

Coopers & Lybrand

145 King Street W.

Toronto, M5H 1V8

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### Head Office

44 Norwood Terrace, Toronto, Ontario, M4E 2H1



**PAPER BOX CO. LIMITED**  
and Subsidiary Companies

**DIRECTORS' REPORT TO THE SHAREHOLDERS:**

The fiscal year ended March 31, 1974, was a particularly eventful and successful one for the company.

Consolidated net earnings for the year were \$287,985 or \$1.06 per common share including an extraordinary gain of \$.13 per share. This result is a notable improvement from the preceding fiscal year in which comparable earnings amounted to \$.60 per common share. The company's revenue also continued to increase satisfactorily, with consolidated sales of \$10,302,060 being 13.9% above the total for last year.

The consolidated working capital of the company as at March 31, 1974, was \$1,285,057, an increase of \$254,561 during the year. This improvement stems mainly from higher earnings and from an increase in long-term debt. During the current fiscal year, our policy will be to continue to improve our working capital position through appropriate control of capital and operating expenditures.

In accordance with the terms of issue, the company purchased 150 first preference shares for cancellation and regular quarterly dividends were paid throughout the year on all outstanding preference shares. The common stock dividend was increased in the first quarter of 1973 to a rate of \$.07½ per share and total common dividends paid during the fiscal year amounted to \$.30 per share. On June 1st of this year, the quarterly dividend was increased to \$.10 per share reflecting the success of the year just ended and the continuing improvement in the current year.

Although increasing costs are being experienced in all our operations and the economic outlook is unsettled, your management is optimistic that higher sales and earnings will be achieved in the current year. The results of the first quarter, which will be mailed shortly, support this forecast.

Last November, an agreement was concluded whereby Lawson Paper Convertors Limited bought the Toronto folding carton division previously operated by the Thompson Paper Box Company. It was apparent that major capital expenditure was needed to give this division the technical and competitive strength necessary to attain its full potential in the type of business in which it was engaged. The Board of Directors considered that its sale, making capital available for other more attractive uses, was a preferable alternative.

In conjunction with the sale of the Thompson division, the company undertook to change its name. The Directors have selected the name Diversacorp Limited, which we believe portrays the increasing variety of activities being carried on within our group of companies. The shareholders will be asked to approve this recommended name at the annual and general meeting.

Two of our other operations benefited directly from the sale of the Thompson division. The production facilities of the Atlas Paperboard division in Hamilton were considerably improved by the transfer of some equipment. In addition, the manufacturing operations of the Fielder Paper Box





**PAPER BOX CO. LIMITED**  
and Subsidiary Companies

**DIRECTORS' REPORT** *(continued)*

Company were moved to the larger and more appropriate premises previously used for the Thompson operation. During the same period, the Fielder company acquired the machinery and personnel of another set-up box manufacturer. In consequence, the production and sales levels of our set-up box operations have been increased significantly.

Last spring, the production facilities of Top Paper Products were also increased by the completion of a large extension to our Guelph plant. This will accommodate the continuing growth of existing activities and provide for a new product line. In the latter half of the year, Top Paper also entered into an agreement to acquire a controlling interest in Modern Laminates Limited. This company, located in Malton, manufactures polyethelene coated and laminated packaging materials and covers a sector of the market not previously served by any of our companies.

Mr. J.W. Maxwell, who was for many years our General Manager and a Director, retired following the

sale of the Toronto folding carton operation. In addition to his contribution to this company, Mr. Maxwell was a respected figure throughout the industry for the services rendered by him during a lengthy career. During the past year, Mr. W.A. Marshall, the previous owner of Atlas Folding Boxes (Hamilton) Ltd. also resigned from our Board. We are fortunate, however, that Mr. Marshall continues to be active in his capacity as a Vice-President of the company.

At the last annual meeting of shareholders, three new Directors, Messrs. P.G. Armour, A.L. Howard and P.A. Southall, were elected to fill vacancies on the Board. We welcome the involvement of these new Directors in the conduct of the company's affairs.

We wish to record our appreciation to the officers and the staff of the company for the continued and valued services performed by them during a very active and successful year.

On behalf of the Board,

J.M. Armour  
President

R.F. Chisholm  
Chairman of the Board

August 21, 1974



**PAPER BOX CO. LIMITED**  
and Subsidiary Companies

**CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS  
FOR THE YEAR ENDED MARCH 31, 1974**

|  | 1974<br>\$       | 1973<br>\$       |
|--|------------------|------------------|
| SALES .....  | 10,302,060       | 9,047,114        |
| Operating Costs and Other Expenses .....   | 9,756,770        | 8,653,054        |
| Depreciation and Amortization .....  | 77,735           | 74,699           |
| Interest and Long-Term Debt .....  | 47,261           | 49,501           |
|  | <u>9,881,766</u> | <u>8,777,254</u> |
|  | <u>420,294</u>   | <u>269,860</u>   |
| PROVISION FOR INCOME TAXES   |                  |                  |
| Current .....  | 162,675          | 126,300          |
| Deferred .....   | 28,700           | 5,400            |
|  | <u>191,375</u>   | <u>131,700</u>   |
|  | 228,919          | 138,160          |
| Share of Net Earnings of Corporate Joint Venture .....   | 28,404           | 35,741           |
|  | <u>257,323</u>   | <u>173,901</u>   |
| Dividend on Preference Shares of Subsidiary Company .....  | 4,176            | 6,264            |
|  | <u>253,147</u>   | <u>167,637</u>   |
| NET EARNINGS - Before Extraordinary Gain   |                  |                  |
| Extraordinary Gain on sale of Toronto Folding Carton Division less provision for deferred income taxes thereon of \$25,000 ..... | 34,838           | —                |
|  | <u>287,985</u>   | <u>167,637</u>   |
| NET EARNINGS - For the year .....  |                  |                  |
| RETAINED EARNINGS - Beginning of year .....  | 442,748          | 296,077          |
|  | <u>730,733</u>   | <u>463,714</u>   |
| DIVIDENDS PAID   |                  |                  |
| Preference .....   | 7,289            | 7,701            |
| Common .....   | 79,590           | 13,265           |
|  | <u>86,879</u>    | <u>20,966</u>    |
| RETAINED EARNINGS - End of year .....  | <u>643,854</u>   | <u>442,748</u>   |
| NET EARNINGS PER COMMON SHARE (note 7)   |                  |                  |
| Net earnings before extraordinary gain .....   | .93              | .60              |
| Net earnings for the year .....  | <u>1.06</u>      | <u>.60</u>       |



PAPER BOX CO. LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED MARCH 31, 1974

|  | 1974<br>\$       | 1973<br>\$       |
|--|------------------|------------------|
| WORKING CAPITAL PROVIDED BY:                                     |                  |                  |
| Net earnings for the year before extraordinary item . . . . .    | 253,147          | 167,637          |
| Items not affecting working capital -                            |                  |                  |
| Depreciation and amortization . . . . .                          | 77,735           | 74,699           |
| Deferred income taxes . . . . .                                  | 28,700           | 5,400            |
| Provided from operations . . . . .                               | 359,582          | 247,736          |
| Increase in long-term debt . . . . .                             | 475,098          | 142,500          |
| Proceeds on sale of fixed assets . . . . .                       | 127,672          | 3,934            |
|  | <u>962,352</u>   | <u>394,170</u>   |
| WORKING CAPITAL APPLIED TO:                                      |                  |                  |
| Investment in shares of effectively controlled company . . . . . | 28,925           | —                |
| Investment in corporate joint venture . . . . .                  | 28,404           | 35,741           |
| Purchase of fixed assets (Net) . . . . .                         | 361,683          | 36,438           |
| Reduction of long-term debt . . . . .                            | 90,000           | —                |
| Acquisition of minority interest in subsidiary company . . . . . | 104,400          | —                |
| Redemption of first preference shares . . . . .                  | 7,500            | 7,500            |
| Payment of dividends . . . . .                                   | 86,879           | 20,966           |
|  | <u>707,791</u>   | <u>100,645</u>   |
| INCREASE IN WORKING CAPITAL . . . . .                            | 254,561          | 293,525          |
| WORKING CAPITAL - BEGINNING OF YEAR . . . . .                    | <u>1,030,496</u> | <u>736,971</u>   |
| WORKING CAPITAL - END OF YEAR . . . . .                          | <u>1,285,057</u> | <u>1,030,496</u> |







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*Thompson* PAPER BOX CO. LIMITED

*And Subsidiary Companies*  
CONSOLIDATED INTERIM REPORT  
FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 1973

THOMPSON PAPER BOX CO. LIMITED

*And Its Subsidiary Companies*

**CONSOLIDATED STATEMENT OF EARNINGS**  
**FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 1973**

|  | 1973      | 1972      |
|--|-----------|-----------|
|  | \$        | \$        |
| SALES . . . . .  | 4,926,500 | 4,306,900 |
| NET EARNINGS BEFORE PROVISION FOR INCOME TAX . . . . . | 190,200   | 113,700   |
| PROVISION FOR INCOME TAXES . . . . .                   | 79,646    | 49,300    |
| NET EARNINGS - FOR THE PERIOD . . . . .                | 110,554   | 64,400    |
| - PER COMMON SHARE . . . . .                           | 0.41      | 0.24      |

NOTE: (1) These figures represent unaudited results to September 30, 1973.

(2) The Consolidated Statement of Earnings for the period ended September 30, 1973 includes the company's portion of the after tax income of a corporate joint venture in which a 50% equity investment is held.

**CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL**  
**FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 1973**

|  | 1973     | 1972     |
|--|----------|----------|
|  | \$       | \$       |
| SOURCE OF WORKING CAPITAL                                  |          |          |
| NET EARNINGS FOR THE PERIOD . . . . .                      | 110,554  | 64,400   |
| ITEMS NOT EFFECTING WORKING CAPITAL:-                      |          |          |
| DEPRECIATION . . . . .                                     | 34,148   | 33,119   |
| DEFERRED INCOME TAXES . . . . .                            | (9,492)  | (5,000)  |
| SHARE OF NET EARNINGS IN CORPORATE JOINT VENTURE . . . . . | (13,500) | (10,600) |
| LONG-TERM FINANCING . . . . .                              | 81,864   | —        |
|  | 203,574  | 81,919   |

USE OF WORKING CAPITAL

|  |         |        |
|--|---------|--------|
| INCREASE IN CASH SURRENDER VALUE OF LIFE INSURANCE . . . . . | 800     | 300    |
| INCREASE IN DEFERRED FINANCE CHARGE . . . . .                | 20,796  | —      |
| PURCHASE OF FIXED ASSETS (NET) . . . . .                     | 34,778  | 471    |
| LONG-TERM FINANCING FIXED ASSETS . . . . .                   | 59,974  | —      |
| REDUCTION IN LONG-TERM DEBT . . . . .                        | 65,464  | 30,000 |
| PAYMENT OF DIVIDENDS . . . . .                               | 43,500  | 4,000  |
| REDEMPTION OF FIRST PREFERENCE SHARES . . . . .              | —       | 6,750  |
|  | 225,312 | 41,521 |

WORKING CAPITAL POSITION

|  |           |         |
|--|-----------|---------|
| NET INCREASE (DECREASE) IN WORKING CAPITAL . . . . . | (21,738)  | 40,398  |
| WORKING CAPITAL - BEGINNING OF YEAR . . . . .        | 1,030,496 | 736,971 |
| WORKING CAPITAL - END OF PERIOD . . . . .            | 1,008,758 | 777,369 |